

**C & M COMMUNITY SCHOOL DISTRICT
MASSENA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2011

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-15
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	18
B Statement of Activities	20-23
Governmental Fund Financial Statements:	
C Balance Sheet	24
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	25
E Statement of Revenues, Expenditures and Changes in Fund Balances	26-27
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28
Proprietary Fund Financial Statements:	
G Statement of Net Assets	29
H Statement of Revenues, Expenses and Changes in Net Assets	30
I Statement of Cash Flows	31
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	32
K Statement of Changes in Fiduciary Net Assets	33
Notes to Financial Statements	34-46
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	48
Notes to Required Supplementary Information – Budgetary Reporting	49
Schedule of Funding Progress for the Retiree Health Plan	50
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	52
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	53
Capital Projects Accounts:	
3 Combining Balance Sheet	54
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	55
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	56
6 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	57
7 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	58-59
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	60-61

TABLE OF CONTENTS
(continued)

	Page
SCHEDULE OF FINDINGS	62-64

C & M COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Gary Dinkla	President	2011
Jennifer Holste	Vice President	2011
Sean South	Board Member	2011
Todd McKee	Board Member	2013
Rob Ticknor	Board Member	2013
<u>School Officials</u>		
Steve Pelzer	Superintendent	2011
Linda Edwards	District Secretary/Treasurer and Business Manager	2011
Rick Franck	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
C & M Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of C & M Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of C & M Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As explained in Note 12 to the financial statements, C & M and Anita Community will reorganize into a new CAM Community School District effective July 1, 2011.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2011 on our consideration of C & M Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise C & M Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
November 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

C & M Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$2,424,390 in fiscal 2010 to \$2,541,357 in fiscal 2011, while General Fund expenditures decreased from \$2,342,033 in fiscal 2010 to \$2,321,495 in fiscal 2011. There was an increase in the District's General Fund balance from \$360,667 in fiscal 2010 to \$580,739 in fiscal 2011, a 61% percent increase from the prior year.
- The bus leases were paid off prior to the end of the fiscal year to reduce the liabilities of the school district before the merger with the Anita Community School District on July 1, 2011.
- Projects during the year included the final payment for the three year laptop computer lease, library automation, refinishing the gym floor, and an addition to the preschool building. Also, due to the Department of Education ruling on technology, we were able to reallocate payments for technology maintenance and copier maintenance from the General Fund to the PPEL Fund.
- Enrollment decreased from 205.2 in FY 2010 to 200.6 in FY 2011.
- The positions of business manager, superintendent, maintenance director, and transportation director were shared with the Anita Community School District with costs to be shared and incentive dollars to be received in FY 2012.
- In September 2010, the voters of the C & M Community School District and the Anita Community School District voted to merge the two districts effective July 1, 2011. Reorganization incentives will be received for three years beginning fiscal year 2013. The new CAM district will receive the final year of whole-grade sharing incentives in fiscal year 2012.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

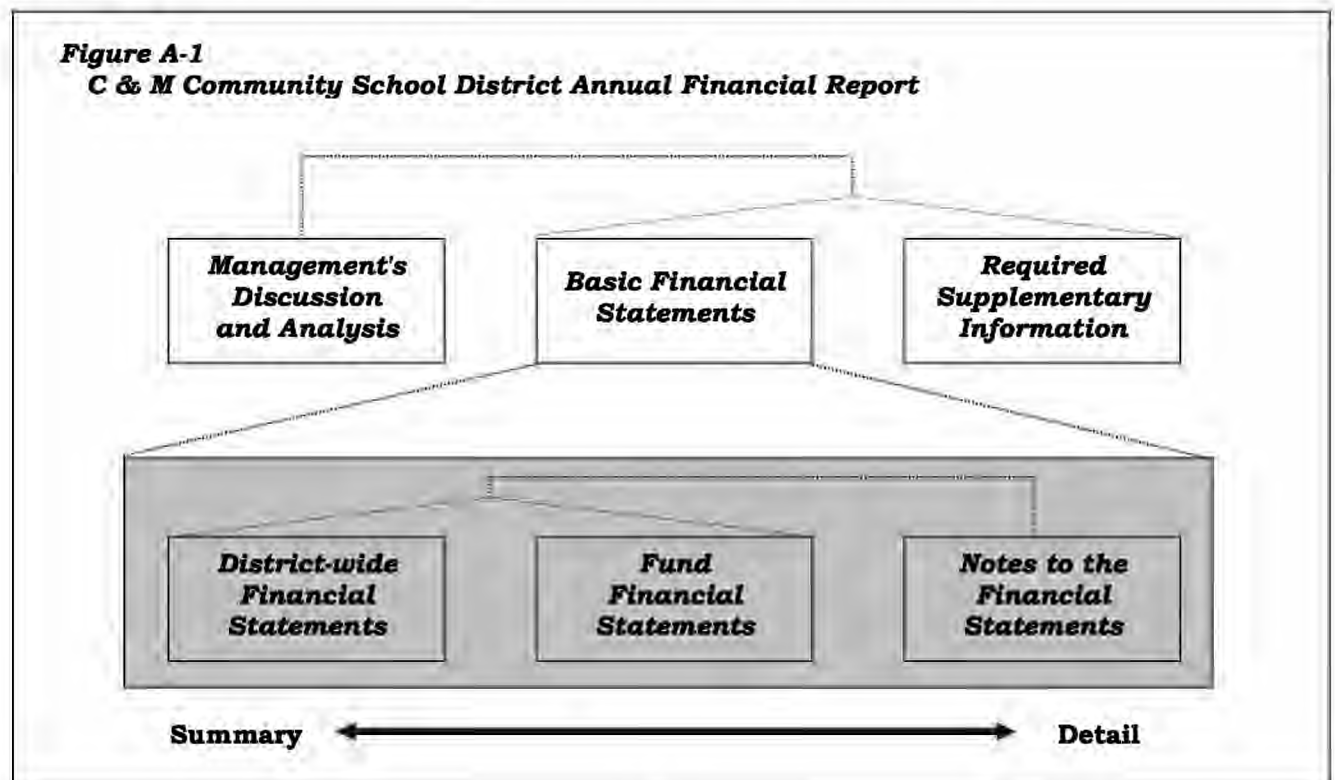


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$1,159,295	\$2,013,414	\$5,970	\$4,227	\$1,165,265	\$2,017,641	-42.1%
Capital assets	\$1,105,049	\$1,161,359	\$5,896	\$6,006	\$1,110,945	\$1,167,365	-4.8%
Total Assets	\$2,264,344	\$3,174,773	\$11,866	\$10,233	\$2,276,210	\$3,185,006	-28.5%
Long-term obligations	\$91,800	\$156,668	0	0	\$91,800	\$156,668	-41.4%
Other obligations	\$69,706	\$1,170,382	0	0	\$69,706	\$1,170,382	-94.0%
Total Liabilities	\$161,506	\$1,327,050	0	0	\$161,506	\$1,327,050	-87.8%
Net assets:							
Invested in capital assets, net of related debt	\$1,105,049	\$1,069,257	\$5,896	\$6,006	1,110,945	1,075,263	3.3%
Restricted	\$395,541	\$396,826	0	0	\$395,541	\$396,826	-0.3%
Unrestricted	\$602,248	\$381,640	\$5,970	\$4,227	\$608,218	\$385,867	57.6%
Total Net Assets	\$2,102,838	\$1,847,723	\$11,866	\$10,233	\$2,114,704	\$1,857,956	13.8%

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to 2010.

**Figure A-4
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30 2011	June 30 2010	June 30 2011	June 30 2010	June 30 2011	June 30 2010	2010-2011
Revenues:							
Program revenues:							
Charges for service and sales	\$419,723	\$354,762	\$48,711	\$45,947	\$468,434	\$400,709	16.9%
Operating grants, contributions, and restricted interest	353,923	388,072	62,402	56,666	416,325	444,738	-6.4%
Capital grants, contributions and restricted interest	0	0	596	0	596	0	100.0%
General revenues:							
Property tax	1,174,861	1,111,353	0	0	1,174,861	1,111,353	5.7%
Unrestricted state grants	689,718	632,213	0	0	689,718	632,213	9.1%
Unrestricted investment earnings	2,101	1,387	20	31	2,121	1,418	49.6%
Other	249,601	261,840	0	0	249,601	261,840	-4.7%
Total Revenues	\$2,889,927	\$2,749,627	\$111,729	\$102,644	\$3,001,656	\$2,852,271	5.2%
Program expenses:							
Governmental activities							
Instruction	1,673,037	1,725,233	0	0	1,673,037	1,725,233	-3.0%
Support services	791,394	701,040	0	0	791,394	701,040	12.9%
Non-instructional programs	3,644	5,503	110,096	102,715	113,740	108,218	5.1%
Other expenses	166,737	176,775	0	0	166,737	176,775	-5.7%
Total Expenses	\$2,634,812	\$2,608,551	110,096	102,715	\$2,744,908	\$2,711,266	1.2%
Loss on disposal of capital assets	0	379,927				379,927	
Change in net assets	255,115	-238,851	1,633	-71	256,748	-238,922	207.5%

In 2011, property tax and unrestricted state grants account for 64.5 percent of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services which account for 93.5 percent of the total governmental activities expenses.

Governmental Activities

Revenues for governmental activities were \$2,889,927 and expenses were \$2,634,812.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5
Total and Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$1,673,037	\$991,104
Support Services	\$791,394	\$780,813
Non-instructional programs	\$3,644	\$3,644
Other expenses	<u>\$166,737</u>	<u>\$85,605</u>
Totals	\$2,634,812	\$1,861,166

- The cost financed by users of the District's programs was \$419,723.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$353,923.
- The net cost of governmental activities was financed with \$1,174,861 in property tax, \$689,718 in state foundation aid, \$93,655 in income surtax, \$145,733 in local option taxes, \$2,101 in interest income, and \$10,213 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$111,729 and expenses were \$110,096. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The School Nutrition Fund had been running a deficit for a significant number of years. The District was at a break-even point this fiscal year.

Financial Analysis of the District's Funds

As previously noted, the C & M Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,001,588; up from last year's ending fund balances of \$770,626.

Governmental Fund Highlights

- The General Fund balance increased from \$360,677 to \$580,739 due to managed spending which kept expenditures less than our revenues and budgeting for a cash reserve levy.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$101,618 in fiscal 2010 to \$84,358 in fiscal 2011.
- The School Infrastructure and Local Option Sales tax (SILO) Fund balance increased from \$246,914 in fiscal 2010 to \$270,876 in fiscal 2011. SILO funds can be used for the same purposes as PPEL funds.

Proprietary Fund Highlights

The District is making strides in improving the financial situation of the School Nutrition Fund. The previous four-year increase in meal prices has enabled the District to be at, at least, a break even point.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 48-49.

Legal Budgetary Highlights

The District's total actual receipts were \$21,391 less than the total budgeted receipts, a variance of -.71%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. However, even though total expenditures were less than budgeted the District did exceed its other expenditures functional area due to paying off some capital leases early at year end.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, the District had invested \$1,110,945, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$105,761.

The original cost of the District's capital assets was \$2,796,063. Governmental funds account for \$2,760,411 with the remainder of \$35,652 in the Proprietary, School Nutrition Fund.

Long-Term Debt

At June 30, 2011, the District had long-term debt totaling \$91,800, for two early-retirement plans and the net OPEB liability. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The C & M and Anita districts passed a reorganization vote for fiscal year 2012 and will become one district July 1, 2011.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Edwards, District Secretary/Treasurer and Business Manager, C & M Community School District, 207 E. Sixth Street, Massena, Iowa, 50853.

This page intentionally left blank

Basic Financial Statements

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 958,056	\$ 5,089	\$ 963,145
Receivables:			
Property tax:			
Current year	27,347	-	27,347
Income surtax	88,001	-	88,001
Accounts	3,651	-	3,651
Due from other governments	82,240	-	82,240
Inventories	-	881	881
Capital assets, net of accumulated depreciation (note 4)	1,105,049	5,896	1,110,945
Total assets	2,264,344	11,866	2,276,210
Liabilities			
Accounts payable	27,853	-	27,853
Deferred revenue:			
Other	41,853	-	41,853
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	19,067	-	19,067
Portion due after one year:			
Early retirement	40,333	-	40,333
Net OPEB liability	32,400	-	32,400
Total liabilities	161,506	-	161,506
Net Assets			
Invested in capital assets	1,105,049	5,896	1,110,945
Restricted for:			
Categorical funding (note 10)	34,092	-	34,092
Management levy	107	-	107
Physical plant and equipment levy	84,358	-	84,358
Student activities	6,108	-	6,108
Capital projects	270,876	-	270,876
Unrestricted	602,248	5,970	608,218
Total net assets	\$ 2,102,838	\$ 11,866	\$ 2,114,704

See notes to financial statements.

This page intentionally left blank

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 1,673,037	\$ 409,142	\$ 272,791	\$ -
Support services:				
Student services	4,852	-	-	-
Instructional staff services	93,373	-	-	-
Administration services	304,900	-	-	-
Operation and maintenance of plant services	185,035	-	-	-
Transportation services	203,234	10,581	-	-
	791,394	10,581	-	-
Non-instructional programs	3,644	-	-	-
Other expenditures:				
Facilities acquisition	32,735	-	-	-
Long-term debt interest and fiscal charges	3,616	-	-	-
AEA flowthrough	81,132	-	81,132	-
Depreciation (unallocated) *	49,254	-	-	-
	166,737	-	81,132	-
Total governmental activities	2,634,812	419,723	353,923	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	110,096	48,711	62,402	596
Total	\$ 2,744,908	\$ 468,434	\$ 416,325	\$ 596

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (991,104)	\$ -	\$ (991,104)
(4,852)	-	(4,852)
(93,373)	-	(93,373)
(304,900)	-	(304,900)
(185,035)	-	(185,035)
(192,653)	-	(192,653)
(780,813)	-	(780,813)
(3,644)	-	(3,644)
(32,735)	-	(32,735)
(3,616)	-	(3,616)
-	-	-
(49,254)	-	(49,254)
(85,605)	-	(85,605)
(1,861,166)	-	(1,861,166)
-	1,613	1,613
(1,861,166)	1,613	(1,859,553)

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs

General revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ 1,039,558	\$ -	\$ 1,039,558
135,303	-	135,303
93,655	-	93,655
145,733	-	145,733
689,718	-	689,718
2,101	20	2,121
10,213	-	10,213
<hr/>		
2,116,281	20	2,116,301
<hr/>		
255,115	1,633	256,748
<hr/>		
1,847,723	10,233	1,857,956
<hr/>		
<u>\$ 2,102,838</u>	<u>\$ 11,866</u>	<u>\$ 2,114,704</u>

C & M COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 566,485	\$ 326,886	\$ 64,685	\$ 958,056
Receivables:				
Property tax:				
Current year	23,268	3,149	930	27,347
Income surtax	88,001	-	-	88,001
Accounts	3,651	-	-	3,651
Due from other governments	57,041	25,199	-	82,240
Total assets	\$ 738,446	\$ 355,234	\$ 65,615	\$ 1,159,295
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	27,853	-	-	27,853
Deferred revenue:				
Other	129,854	-	-	129,854
Total liabilities	157,707	-	-	157,707
Fund balances:				
Restricted for:				
Categorical funding (note 10)	34,092	-	-	34,092
Management levy purposes	-	-	59,507	59,507
Student activities	-	-	6,108	6,108
School infrastructure	-	270,876	-	270,876
Physical plant and equipment	-	84,358	-	84,358
Unassigned	546,647	-	-	546,647
Total fund balances	580,739	355,234	65,615	1,001,588
Total liabilities and fund balances	\$ 738,446	\$ 355,234	\$ 65,615	\$ 1,159,295

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 1,001,588
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,105,049
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	88,001
Long-term liabilities, including early retirement and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(91,800)</u>
Net assets of governmental activities	<u>\$ 2,102,838</u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,080,391	\$ 281,036	\$ 39,946	\$ 1,401,373
Tuition	219,238	-	-	219,238
Other	224,511	634	13,868	239,013
State sources	896,877	-	-	896,877
Federal sources	120,340	-	-	120,340
Total revenues	<u>2,541,357</u>	<u>281,670</u>	<u>53,814</u>	<u>2,876,841</u>
Expenditures:				
Current:				
Instruction	<u>1,585,775</u>	<u>-</u>	<u>23,288</u>	<u>1,609,063</u>
Support services:				
Student services	36,020	-	-	36,020
Instructional staff services	23,472	48,897	200	72,569
Administration services	283,926	-	6,432	290,358
Operation and maintenance of plant services	161,376	9,888	10,378	181,642
Transportation services	146,500	-	8,978	155,478
	<u>651,294</u>	<u>58,785</u>	<u>25,988</u>	<u>736,067</u>
Non-instructional programs	<u>3,294</u>	<u>-</u>	<u>350</u>	<u>3,644</u>
Other expenditures:				
Facilities acquisition	-	81,480	-	81,480
Long term debt:				
Principal	-	-	128,368	128,368
Interest and fiscal charges	-	-	6,335	6,335
AEA flowthrough	81,132	-	-	81,132
	<u>81,132</u>	<u>81,480</u>	<u>134,703</u>	<u>297,315</u>
Total expenditures	<u>2,321,495</u>	<u>140,265</u>	<u>184,329</u>	<u>2,646,089</u>
Excess (deficiency) of revenues over (under) expenditures	<u>219,862</u>	<u>141,405</u>	<u>(130,515)</u>	<u>230,752</u>

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 210	\$ -	\$ -	210
Interfund transfers in (note 3)	-	-	134,703	134,703
Interfund transfers out (note 3)	-	(134,703)	-	(134,703)
Total other financing sources (uses)	<u>210</u>	<u>(134,703)</u>	<u>134,703</u>	<u>210</u>
Net change in fund balances	220,072	6,702	4,188	230,962
Fund balances beginning of year, as restated (note 11)	<u>360,667</u>	<u>348,532</u>	<u>61,427</u>	<u>770,626</u>
Fund balances end of year	<u>\$ 580,739</u>	<u>\$ 355,234</u>	<u>\$ 65,615</u>	<u>\$ 1,001,588</u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 230,962

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 48,745	
Depreciation expense	<u>(105,055)</u>	(56,310)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 12,876

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 128,368

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,719

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(47,600)	
Net OPEB liability	<u>(15,900)</u>	<u>(63,500)</u>

Change in net assets of governmental activities \$ 255,115

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

	Nonmajor - School Nutrition
	<u> </u>
Assets	
Cash and cash equivalents	\$ 5,089
Inventories	881
Capital assets, net of accumulated depreciation (note 4)	<u>5,896</u>
Total assets	<u>11,866</u>
Liabilities	
None	<u>-</u>
Net Assets	
Invested in capital assets	5,896
Unrestricted	<u>5,970</u>
Total net assets	<u>\$ 11,866</u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2011

	Nonmajor - School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ <u>48,711</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	39,980
Benefits	15,020
Purchased services	2,919
Supplies	51,460
Depreciation	706
Other	11
	<u>110,096</u>
Operating loss	(61,385)
Non-operating revenues:	
Interest on investments	20
Capital contributions	596
State sources	1,007
Federal sources	61,395
Total non-operating revenues	<u>63,018</u>
Change in net assets	1,633
Net assets beginning of year	<u>10,233</u>
Net assets end of year	\$ <u><u>11,866</u></u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	Nonmajor - School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 48,291
Cash received from miscellaneous operating activities	420
Cash payments to employees for services	(55,000)
Cash payments to suppliers for goods or services	(50,099)
Net cash used by operating activities	<u>(56,388)</u>
Cash flows from non-capital financing activities:	
State grants received	1,007
Federal grants received	56,606
Net cash provided by non-capital financing activities	<u>57,613</u>
Cash flows from investing activities:	
Interest on investments	<u>20</u>
Net increase in cash and cash equivalents	1,245
Cash and cash equivalents beginning of year	<u>3,844</u>
Cash and cash equivalents end of year	<u>\$ 5,089</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (61,385)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	706
Commodities used	4,789
(Increase) in inventories	<u>(498)</u>
Net cash used by operating activities	<u>\$ (56,388)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2011, the District received \$4,789 of federal commodities and \$596 of equipment contributed by the Capital Projects, Physical Plant and Equipment Levy Fund.	

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2011

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>19,365</u>	\$ <u>242</u>
Liabilities:		
Other payables	<u>-</u>	<u>242</u>
Net assets:		
Reserved for scholarships	\$ <u><u>19,365</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2011

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>21</u>
Deductions:	
None	<u>-</u>
Change in net assets	21
Net assets beginning of year	<u>19,344</u>
Net assets end of year	\$ <u><u>19,365</u></u>
See notes to financial statements.	

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

C & M Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through eight. The geographic area served includes the Cities of Cumberland and Massena, Iowa, and agricultural territory in Cass and Adams Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, C & M Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. C & M Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cass County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2011.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments (continued)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	<u> </u>
Diversified Portfolio	\$ <u>417,379</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>134,703</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 33,200	\$ -	\$ -	\$ 33,200
Capital assets being depreciated:				
Buildings	1,947,249	45,245	-	1,992,494
Improvements other than buildings	38,227	-	-	38,227
Furniture and equipment	700,610	3,500	7,620	696,490
Total capital assets being depreciated	2,686,086	48,745	7,620	2,727,211
Less accumulated depreciation for:				
Buildings	1,041,412	42,859	-	1,084,271
Improvements other than buildings	22,099	945	-	23,044
Furniture and equipment	494,416	61,251	7,620	548,047
Total accumulated depreciation	1,557,927	105,055	7,620	1,655,362
Total capital assets being depreciated, net	1,128,159	(56,310)	-	1,071,849
Governmental activities capital assets, net	\$ 1,161,359	\$ (56,310)	\$ -	\$ 1,105,049
Business-type activities:				
Furniture and equipment	\$ 35,056	\$ 596	\$ -	\$ 35,652
Less accumulated depreciation	29,050	706	-	29,756
Business-type activities capital assets, net	\$ 6,006	\$ (110)	\$ -	\$ 5,896

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 4,228
Support services:	
Administration	1,731
Operation and maintenance of plant services	2,086
Transportation	<u>47,756</u>
	55,801
Unallocated depreciation	<u>49,254</u>

Total governmental activities depreciation expense	\$ <u>105,055</u>
--	-------------------

Business-type activities:

Food service operations	\$ <u>706</u>
-------------------------	---------------

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Early Retirement	Capital Lease Purchase Agreements	Net OPEB Liability	Total
Balance beginning of year	\$ 11,800	\$ 128,368	\$ 16,500	\$ 156,668
Additions	50,000	-	15,900	65,900
Reductions	2,400	128,368	-	130,768
Balance end of year	<u>\$ 59,400</u>	<u>\$ -</u>	<u>\$ 32,400</u>	<u>\$ 91,800</u>
Due within one year	<u>\$ 19,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,067</u>

Early Retirement

The District offers a voluntary early retirement plan to its full-time certified employees. Eligible employees must be at least age fifty-five on or before the beginning of the first contracted day of the 2011-2012 school year, and employees must have completed ten years of consecutive contracted service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$25,000. Early retirement benefits will be paid in three annual installments beginning November 1, 2011.

At June 30, 2011, the District has obligations to four participants with a total liability of \$59,400. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$2,400. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 24 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	22,200
Interest on net OPEB obligation		400
Adjustment to annual required contribution		(1,700)
Annual OPEB cost		<u>20,900</u>
Contributions made		<u>5,000</u>
Increase in net OPEB obligation		15,900
Net OPEB obligation beginning of year		<u>16,500</u>
Net OPEB obligation end of year	\$	<u><u>32,400</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$5,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 20,900	23.9%	\$ 32,400

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$186,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$186,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,297,000, and the ratio of the UAAL to covered payroll was 14.3%. As of June 30, 2011, there were no trust fund assets.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$86,628, \$79,210, and \$69,137, respectively, equal to the required contributions for each year.

Note 8. Risk Management

C & M Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$81,132 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 18,350
Professional development for model core curriculum	6,509
Professional development	<u>9,233</u>
Total	<u>\$ 34,092</u>

Note 11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 246,914	\$ 101,618
Change in fund type classification per implementation of GASB Statement No. 54	<u>101,618</u>	<u>(101,618)</u>
Balances July 1, 2010, as restated	<u>\$ 348,532</u>	<u>\$ -</u>

Note 12. School District Reorganization

The voters of the C & M and Anita Community School Districts have approved a reorganization into the CAM Community School District effective July 1, 2011.

Required Supplementary Information

C & M COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 1,859,624	\$ 49,327	\$ 1,908,951	\$ 1,812,788	\$ 96,163
State sources	896,877	1,007	897,884	1,031,173	(133,289)
Federal sources	120,340	61,395	181,735	166,000	15,735
Total revenues	2,876,841	111,729	2,988,570	3,009,961	(21,391)
EXPENDITURES/EXPENSES:					
Instruction	1,609,063	-	1,609,063	1,874,454	265,391
Support services	736,067	-	736,067	974,643	238,576
Non-instructional programs	3,644	110,096	113,740	138,091	24,351
Other expenditures	297,315	-	297,315	133,756	(163,559)
Total expenditures/expenses	2,646,089	110,096	2,756,185	3,120,944	364,759
Excess (deficiency) of revenues over (under) expenditures/ expenses	230,752	1,633	232,385	(110,983)	343,368
Other financing sources, net	210	-	210	-	210
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	230,962	1,633	232,595	(110,983)	343,578
Balance beginning of year	770,626	10,233	780,859	808,604	(27,745)
Balance end of year	\$ 1,001,588	\$ 11,866	\$ 1,013,454	\$ 697,621	\$ 315,833

See accompanying independent auditor's report.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 186	\$ 186	0.0%	\$ 1,247	14.9%
2011	July 1, 2009	-	186	186	0.0%	1,297	14.3%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

C & M COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Assets			
Cash and pooled investments	\$ 58,577	\$ 6,108	\$ 64,685
Receivables:			
Property tax:			
Current year	930	-	930
Total assets	\$ 59,507	\$ 6,108	\$ 65,615
Liabilities and Fund Balances			
Liabilities:			
None	\$ -	\$ -	\$ -
Fund balances:			
Restricted for:			
Management levy purposes	59,507	-	59,507
Student activities	-	6,108	6,108
Total fund balances	59,507	6,108	65,615
Total liabilities and fund balances	\$ 59,507	\$ 6,108	\$ 65,615

See accompanying independent auditor's report.

C & M COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Revenues:				
Local sources:				
Local tax	\$ 39,946	\$ -	\$ -	\$ 39,946
Other	4,031	9,837	-	13,868
Total revenues	<u>43,977</u>	<u>9,837</u>	<u>-</u>	<u>53,814</u>
Expenditures:				
Current:				
Instruction	13,749	9,539	-	23,288
Support services:				
Instructional staff services	200	-	-	200
Administration services	6,432	-	-	6,432
Operation and maintenance of plant services	10,378	-	-	10,378
Transportation services	8,978	-	-	8,978
Non instructional programs	350	-	-	350
Other expenditures:				
Long term debt:				
Principal	-	-	128,368	128,368
Interest and fiscal charges	-	-	6,335	6,335
Total expenditures	<u>40,087</u>	<u>9,539</u>	<u>134,703</u>	<u>184,329</u>
Excess (deficiency) of revenues over (under) expenditures	3,890	298	(134,703)	(130,515)
Other financing sources:				
Interfund transfers in	-	-	134,703	134,703
Net change in fund balances	3,890	298	-	4,188
Fund balances beginning of year	<u>55,617</u>	<u>5,810</u>	<u>-</u>	<u>61,427</u>
Fund balances end of year	<u>\$ 59,507</u>	<u>\$ 6,108</u>	<u>\$ -</u>	<u>\$ 65,615</u>

See accompanying independent auditor's report.

C & M COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 245,677	\$ 81,209	\$ 326,886
Receivables:			
Property tax:			
Current year	-	3,149	3,149
Due from other governments	25,199	-	25,199
Total assets	<u><u>\$ 270,876</u></u>	<u><u>\$ 84,358</u></u>	<u><u>\$ 355,234</u></u>
Liabilities and Fund Balances			
Liabilities:			
None	\$ -	\$ -	\$ -
Fund balances:			
Restricted for:			
School infrastructure	270,876	-	270,876
Physical plant and equipment	-	84,358	84,358
Total fund balances	<u>270,876</u>	<u>84,358</u>	<u>355,234</u>
Total liabilities and fund balances	<u><u>\$ 270,876</u></u>	<u><u>\$ 84,358</u></u>	<u><u>\$ 355,234</u></u>

See accompanying independent auditor's report.

C & M COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 145,733	\$ 135,303	\$ 281,036
Other	265	369	634
Total revenues	<u>145,998</u>	<u>135,672</u>	<u>281,670</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	48,897	48,897
Operation and maintenance of plant services	-	9,888	9,888
Other expenditures:			
Facilities acquisition	3,500	77,980	81,480
Total expenditures	<u>3,500</u>	<u>136,765</u>	<u>140,265</u>
Excess (deficiency) of revenues over (under) expenditures	142,498	(1,093)	141,405
Other financing sources (uses):			
Intrafund transfers in	-	20,000	20,000
Intrafund transfers out	(20,000)	-	(20,000)
Interfund transfers out	(98,536)	(36,167)	(134,703)
Total other financing sources (uses)	<u>(118,536)</u>	<u>(16,167)</u>	<u>(134,703)</u>
Net change in fund balances	23,962	(17,260)	6,702
Fund balances beginning of year, as restated	<u>246,914</u>	<u>101,618</u>	<u>348,532</u>
Fund balances end of year	<u>\$ 270,876</u>	<u>\$ 84,358</u>	<u>\$ 355,234</u>

See accompanying independent auditor's report.

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary	\$ 986	\$ 4,829	\$ 3,999	\$ 1,816
Middle School	164	2,548	2,555	157
Special	3,569	2,373	2,781	3,161
Music	144	60	204	-
Interest	947	27	-	974
	<u>\$ 5,810</u>	<u>\$ 9,837</u>	<u>\$ 9,539</u>	<u>\$ 6,108</u>

See accompanying independent auditor's report.

C & M COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 88	\$ 395	\$ 241	\$ 242
Liabilities				
Other payables	\$ 88	\$ 395	\$ 241	\$ 242

See accompanying independent auditor's report.

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 1,401,373	\$ 1,338,571	\$ 1,282,034	\$ 1,154,949
Tuition	219,238	229,564	188,199	199,602
Other	239,013	161,621	121,885	120,274
State sources	896,877	747,164	1,004,897	964,852
Federal sources	120,340	272,653	92,782	90,950
Total revenues	<u>\$ 2,876,841</u>	<u>\$ 2,749,573</u>	<u>\$ 2,689,797</u>	<u>\$ 2,530,627</u>
Expenditures:				
Instruction	\$ 1,609,063	\$ 1,711,664	\$ 1,580,519	\$ 1,495,392
Support services:				
Student services	36,020	2,590	3,737	1,918
Instructional staff services	72,569	96,155	108,456	240,053
Administration services	290,358	231,222	209,159	227,548
Operation and maintenance of plant services	181,642	177,006	211,926	237,603
Transportation services	155,478	213,478	196,694	167,507
Non-instructional programs	3,644	5,503	8,142	3,930
Other expenditures:				
Facilities acquisition	81,480	73,009	181,727	305,615
Long-term debt:				
Principal	128,368	61,050	49,203	7,403
Interest and fiscal charges	6,335	1,859	-	-
AEA flowthrough	81,132	78,009	73,047	69,412
Total expenditures	<u>\$ 2,646,089</u>	<u>\$ 2,651,545</u>	<u>\$ 2,622,610</u>	<u>\$ 2,756,381</u>

See accompanying independent auditor's report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,112,905	\$ 998,360	\$ 897,274
229,049	241,641	230,603
94,627	59,499	61,589
949,532	912,488	928,912
88,729	91,724	104,129
<u>\$ 2,474,842</u>	<u>\$ 2,303,712</u>	<u>\$ 2,222,507</u>
\$ 1,473,274	\$ 1,480,293	\$ 1,459,609
2,308	2,554	627
137,885	105,668	108,022
221,752	209,101	242,368
212,541	244,609	266,739
149,579	136,512	229,587
6,982	7,324	2,287
41,887	31,563	1,033
-	-	-
-	-	-
68,399	65,838	66,248
<u>\$ 2,314,607</u>	<u>\$ 2,283,462</u>	<u>\$ 2,376,520</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
C & M Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of C & M Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 2, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered C & M Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of C & M Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of C & M Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether C & M Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about C & M Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

C & M Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit C & M Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of C & M Community School District and other parties to whom C & M Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of C & M Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
November 2, 2011

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal and the recording, preparing and signing of checks were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternatives and implement where possible. However, due to staff size it will be difficult to make any adjustments to the current system.

Conclusion – Response accepted.

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

- II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the other expenditures function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – This was due to paying off the bus leases at year end. We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- II-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Peg Wheatley, Teacher Spouse is owner of Wheatley Sanitation	Garbage pickup, per bid	\$5,940
Kyle Williams, Maintenance/Transportation Supervisor Father and brother are owners of Lefty's Pump & Plumbing	Repairs and supplies	\$15,903

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions do not appear to represent conflicts of interest.

- II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting (continued):

- II-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	246,914
Revenues:			
Sales tax revenues	\$	145,733	
Other local revenues		<u>265</u>	145,998
Expenditures/transfers out:			
Equipment		3,500	
Transfers to other funds:			
Debt Service Fund		98,536	
Other transfers		<u>20,000</u>	<u>122,036</u>
Ending balance		\$	<u><u>270,876</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.